

LIST OF ABBREVIATIONS

BR-VT	Ba Ria - Vung Tau
CDMA	Code-Division Multiple Access
DPI	Department of Planning and Investment
EPZ	Export Processing Zone
EU	European Union
FDI	Foreign Direct Investment
HAIDEP	Comprehensive Urban Development Programme in Hanoi Capital City
HAPI	Hanoi's Department of Investment and Planning
HCMC	Ho Chi Minh City
HOUTRANSS	The study on the urban transport master plan and feasibility study in Hochiminh metropolitan area
HPC	Hanoi People Committee
IATA	International Air Transport Association
IC	Industrial Cluster
ICD	Inland Clearance Deport
ICMB	Industrial Cluster Management Board
IZ	Industrial Zone
IZMB	Industrial Zone Management Board
JETRO	Japan External Trade Organization
JICA	Japan International Cooperation Agency
KOTRA	Korea Trade Investment Promotion Agency
LDC	Logistics Distribution Center
MOC	Ministry of Construction
MPDF	Mekong Private Sector Development Facility

MPI	Ministry of Planning and Investment
MRT	Urban Mass Rapid Transit
MT	Ministry of Transport
NH	National Highway
PCI	Provincial Competitiveness Index
PCU	Passenger Car Units
ROV	Rest of Vietnam
Sida	Swedish International Development Cooperation Agency
SOE	State Owned Company
TDSI	Transportation Development and Strategy Institute
TEDI	Transport Engineering Design Incorporation.
UK	The United Kingdom
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
US	The United States of America
USD	US Dollar
VCCI	Vietnam Chamber of Commerce and Industry
VDF	The Vietnam Development Forum
VIR	Vietnam Investment Review
VNCI	Vietnam Competitiveness Initiative
VND	Vietnam Dong
WTO	World Trade Organization

INTRODUCTION

From choosing products to improving business environment

In the period of 2001-2005, Hanoi re-affirmed its role as the socio-economic center of the country, with an important achievement in economic structural transformation where services accounting for 57.5% of Hanoi's GDP, industry accounting for 40.5%, and agriculture's contribution falling to 2.0%. Moreover, this transformation was achieved five years ahead of the time specified in the Master Plan for Hanoi Socio-economic Development in the Period of 2001-2010. Hanoi also focuses on improving the capacity of key services such as information and telecommunications, tourism, commerce, banking and finance, insurance, and human resources. Industry is being developed selectively, to attain a breakthrough to high-tech products and industries. On May 24, 2006, the Prime Minister signed Decision 113/2006/QD-TTg approving the Master Plan of Hanoi's Industry to 2010, which stipulated the main industries of Hanoi to be electronics-information technology, mechanics, food and beverage processing, textiles, construction materials, and high-class interior decoration. Now, the concern seems to be how these targeted industries, through significant spill-over effects, create remarkable changes in the social and economic development of Hanoi.

However, with limited resources from the government, the growth of industries is determined mainly by the market where firms and investors interact, and not by policy makers. This is the main reason why researchers from the National Economics University, the Vietnam Development Forum and the Science and Technology Department of Hanoi proposed a new approach in formulating the Master Plan. It suggests that the government should concentrate on creating a favorable and friendly business environment with clear policy directions in order to attract a large amount of investment from both FDI and international financial institutions. After a fair playing field is laid and clear policy vision is announced, it is investors who decide

their activities that utilize their capacity and respond to market demand to the maximum extent.

To improve business environment, Hanoi should particularly pay attention to the following issues:

- Hanoi's image from the investors' point of view
- Relationship between authorities and local enterprises
- Business costs incurred in the areas of transportation, space rental (especially industrial parks), and capital
- Pollution and the cost of environment protection

All of these elements of business environment, which are essential in making Hanoi a preferred destination for investment, are covered by this research. In addition, Hanoi is also an important part of business environment of the whole country. Therefore, it should identify its own advantages over other provinces, and utilize them to achieve a breakthrough in the growing process.

Our researchers have received support and assistance from many departments and agencies of Hanoi Authorities, especially the Department of Science and Technology, and local enterprises. Significant contribution was also made by Japanese specialists in both content and methodology. All of this helped to sustain our researchers to complete this research with strength and energy. We would be greatly honored if this study could contribute to the development of Hanoi towards the 1000th year of Thang Long.

Hanoi, December 2006